

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 10, 2002**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of December 10, 2002 was called to order by Mayor Hitchcock at 7:05 a.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

B. PUBLIC HEARINGS

- B-1 Notice thereof having been published according to law, an affidavit of which publication is on file in the office of the City Clerk, Mayor Hitchcock called for the Public Hearing to consider adopting resolution certifying the mitigated Negative Declaration for the CalPeak Power – Midway, LLC Lodi Electric Energy Facility.

Electric Utility Director Vallow stated that emphasis is placed on keeping electricity costs low and being extremely reliable. He noted that businesses move to Lodi because of the underlying reliability of the Electric Utility. Several years ago, in an effort to improve the reliability of the system, the Utility had planned to build a transmission line; however, costs began to rise and it became difficult to work within the new California ISO environment. Mr. Vallow stated that the best way to keep the level of reliability up is to locate generation.

In answer to Council Member Hansen, Ron Watkins, President of CalPeak Power, stated that the interconnection agreement will give the City the right to: 1) call on the operation of the plant to supply power if the City becomes isolated from its transmission lines; 2) purchase power out of the plant if it is economical to do so on the City's behalf; and 3) purchase the plant at the end of the nine-year contract period.

Mayor Hitchcock asked Mr. Vallow to explain the urgency of this matter, to which he stated that according to the date that the CalPeak plant needs to be in operation, the ideal time to have certified the mitigated negative declaration would have been four or five weeks ago.

Council Member Hansen asked if there was anything the City could do to expedite the process.

Community Development Director Bartlam reported that CalPeak already plans to be working six days a week on extended hours to meet the operation deadline. He explained that it is a "packaged plant" where materials are ordered and assembled on site. There is no plan check process for this project.

City Attorney Hays stated that typically when the Council gets a negative declaration to certify, the project proponent is a third party. In this circumstance the project proponent and the property owner are the same. He explained that the reason Council is considering the environmental documents before the project itself, is because to do otherwise someone could make the argument that Council was biased toward an environmental decision because it had already decided how the project would take form.

In reference to earlier comments regarding the urgency of this matter, Mr. Watkins reported that the plant must be in operation by June 1, 2003 to meet the summer peak demand. Construction must begin by February 1. The Council is the lead agency for the environmental review. There are a number of other agencies that CalPeak has applied for permits to and they have completed their review of the project; however, they cannot take any action until after the Council certifies the mitigated negative declaration.

In reply to Council Member Beckman, Mr. Watkins explained that the project includes two jet engines modified to operate on land. They burn natural gas and the exhaust is ducted into a selective catalytic reduction vessel, which nearly reduces the emissions to zero. The national standard for oxides of nitrogen is five parts per million. CalPeak has asked for a limit of three parts per million in the permit it applied for through the San Joaquin Valley Air Pollution Control District. CalPeak now operates five plants in California, which are identical to the proposed plant in Lodi, and under most conditions they operate at two parts per million. Mr. Watkins stated that the plant in the city of Escondido is adjacent to commercial establishments and it is so quiet they do not know when it is operating. He promised that CalPeak will be a good neighbor.

In response to questions posed by Mayor Pro Tempore Howard, Mr. Watkins stated that if a lift station is necessary, the cost to build it would be paid for by CalPeak. In reference to inspections of the facility, Mr. Vallow explained that the Utility would not be involved, as CalPeak has standards that it must comply with and there are other monitoring agencies.

Mr. Bartlam reported that the natural gas that exists at the site is not at the capacity necessary to run the plant. There are two route alternatives to bring natural gas from Pacific Gas and Electric's (PG&E) existing line #197, which runs in an east to west direction, generally north of Woodbridge Road. Route 1 (western route) is the preferred route and Route 2 (CCT route) is the alternative route. The Council has no jurisdiction over the permitting for the gas line north of the river, as it is under the County's jurisdiction.

Council Member Land asked whether CalPeak representatives have met with the property owner, to which Mr. Watkins answered in the affirmative. He noted that the PG&E pipeline that CalPeak needs to attach to runs along the property line. In addition, a certain amount of property will be needed to locate the meter.

In response to Council Member Hansen, Mr. Watkins reported that CalPeak's Vacaville plant is approximately 200 feet away from a residential area and in the city of El Cajon, a plant is located 600 feet from apartment buildings. Silencing equipment on the inlet and back of the jet engines do a tremendous amount of noise abatement.

Mr. Bartlam pointed out that the noise analysis identified in section four of the final mitigated negative declaration took measurements from the nearest inhabited properties and the results were well within the City's noise requirements. In addition, he noted that the scale of the building is within the neighborhood's infrastructure.

Mayor Pro Tempore Howard noted that once the facility is constructed it would be essentially unmanned. She asked where the offsite controls and operation facility is located and whether security systems have been addressed.

Mr. Watkins replied that all of CalPeak's plants are controlled from the headquarters operating center in San Diego. The Lodi plant will be equipped with monitoring equipment and the intelligence from that will be transmitted to the control center. CalPeak's "rover" technicians immediately come to the site if there is a problem. He also pointed out that Electric Utility is planning to build a new facility adjacent to the plant and indicated that once that occurs CalPeak would likely negotiate an arrangement for City employees to perform plant maintenance and CalPeak would provide the necessary training.

Mr. Bartlam reported that 16 topic areas mandated by the California Environmental Quality Act were studied. Each one of the topic areas were found, based upon the analysis, to be either not significant in terms of its impact or not significant after mitigation. There are 19 separate mitigation measures proposed with the project. The document process began in September, and in October it was sent out for public review and comment. Comments were received from the State Lands Commission, Air Quality Control Board, Department of Water Resources, Regional Water Quality Control Board and San Joaquin County, all of which were included in the final mitigated negative declaration. One letter was received from a private individual landowner in the county who did not understand the mapping and believed the pipeline was coming through his

property. Staff met with the individual and, based upon the meeting, Mr. Bartlam believed that he was satisfied that there was no concern or impact. The public review process ended last month. Two mailings to 200 property owners were done to inform them of the document review period and today's public hearing. The next public review of the project will be when staff is prepared to bring the lease agreement to Council.

In response to Mayor Hitchcock, Mr. Bartlam referred to page 441 and reported that all hazardous materials go to a state-approved waste site. Public Works has reviewed the project and is comfortable that the wastewater plant will not be negatively affected.

Hearing Opened to the Public

- Barbara Williams introduced herself as the Conservation Chair at Delta Sierra Group, Sierra Club. She stated that public hearings on projects of this importance should not be held at 7:00 a.m. She asked what the state regulation is in a non-attainment area, to which Mr. Watkins answered four parts per million.

Mayor Hitchcock explained that neither she nor the Council called for this meeting. The Lodi Municipal Code states that special meetings can be called by the Mayor or three members of the City Council. This meeting was called by staff, as they felt it was very important. Ms. Hitchcock stated that yesterday morning she had asked that the meeting be canceled; however, after speaking with Mr. Vallow about the time sensitive issues and recognizing all of the participants that were here from long distances, she decided to allow the meeting to be held.

- Diana Maragos stated that she is a Lodi attorney and represents a property owner (her mother) that owns the five-acre corner parcel on Cluff Avenue and Turner Road. Ms. Maragos stated that she is reserving her mother's rights and commented that the matter has been well explained this morning.

Mr. Bartlam noted that the impact to Ms. Maragos' mother's property would be construction-related work on the undergrounding of the pipeline that will come down Cluff Avenue.

In reply to questions posed by Council Member Land, Mr. Bartlam explained that the routing of the gas line would be decided prior to the lease coming back to Council. CalPeak has the ability to go with either alternative. The eastern route would not be affected by train activity or by future improvements to the Kentucky Line to the CCT.

- Pat Patrick, Executive Director of the Chamber of Commerce, stated that business and industry enjoys the reliability of Lodi having its own power source and if the CalPeak plant improves that it will be a selling point that the community has in attracting future economic development, especially from the Silicon Valley area.

In response to Mayor Hitchcock, Mr. Bartlam stated that all comments become part of the administrative record. After certification the mitigated negative declaration will be posted with the County Recorder's Office as a final document. The document can be challenged during a 30-day period.

Public Portion of Hearing Closed

MOTION:

Council Member Land made a motion, Beckman second, to adopt Resolution No. 2002-251 certifying the Negative Declaration for the Calpeak Power – Midway, LLC Lodi Electrical Energy Facility.

DISCUSSION:

Council Member Howard commented that the ability of Lodi to have a second source of electrical generation is good news for the community and stated that the final mitigated negative declaration was well done.

VOTE:

The above motion carried by a unanimous vote.

Continued December 10, 2002

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:27 a.m.

ATTEST:

Susan J. Blackston
City Clerk